



DATE ISSUED: April 13, 2005

REPORT NO. CCDC-05-14

ATTENTION: Honorable Chair and Members of the Redevelopment Agency
Docket of April 19, 2005

SUBJECT: Sixth and K Parkade Garage--L Street Frontage Change of Use (block
bounded by Sixth, Seventh, K and L streets)--East Village District of
the Expansion Sub Area of the Centre City Redevelopment Project

REFERENCE: Exhibit A - Photograph of L Street Frontage of Sixth and K Parkade
Exhibit B - Proposed Floor Plan and Interior Drawings of L Street
Frontage
Exhibit C - Proposed Amendment to Grant of Reciprocal Easements
and Access Rights

STAFF CONTACT: Pamela M. Hamilton, Senior Vice President

SUMMARY

Issue - Should the Redevelopment Agency approve the Amendment to Grant of Reciprocal Easements and Access Rights between the Agency and San Diego Ballpark Hotel Company, LLC (the "Omni Hotel Developer") to provide for the change of use of the L Street frontage of the Sixth and K Parkade Garage (the "Parkade Site") and to modify the terms for relocating the Basement Level Parking Easement in the event the Agency elects to redevelop the Parkade Site? Should the Agency approve conditions to the Tenant Improvement Permit?

Staff Recommendation - That the Redevelopment Agency approve the Amendment to Grant of Reciprocal Easements and Access Rights between the Agency and the Omni Hotel Developer and conditions to the Tenant Improvement Permit for the Parkade Site.

Centre City Development Corporation Recommendation - On March 23, 2005, the Corporation Board of Directors voted unanimously (Vice Chair Victor Vilaplana absent) to support the staff recommendation.

Centre City Advisory Committee (CCAC) Recommendation - On March 16, 2005, the CCAC and the PAC voted unanimously (CCAC - 19-0, PAC - 16-0) to support the staff recommendation.

Other Recommendations - None.

Fiscal Impact - The Omni Hotel Developer represents that approximately \$3.5 million in additional hotel "room night" revenue can be generated annually by providing hotel meeting space in the L Street frontage of the Parkade Site, yielding more than \$350,000 per year in increased Transient Occupancy Tax revenues to the City. The Grant of Reciprocal Easements and Access Rights ("REA") provides that the Agency may redevelop the Parkade Site in the future, subject to certain requirements. With respect to the L Street frontage (the "L Street Easement Area"), the Agency is required to pay the Omni Hotel Developer, as compensation for the Agency's buy-out and termination of the L Street Easement Area, fair market value for the then-existing retail uses (assuming for purposes of the appraisal that the retail easement had a term which was not subject to termination). The proposed amendments to the REA would change the compensation for any buy-out of the Omni Hotel Developer's L Street Easement Area to a fixed payment of \$1 million regardless of the date of the buy-out or the uses within the L Street Easement Area at the time of the buy-out. These amendments, therefore, reduce the amount of a future Agency/City liability.

BACKGROUND

The Disposition and Development Agreement ("DDA") between the Agency and JMI Realty, Inc. for the "Sixth and L Street Hotel" was entered into on December 8, 1999, and subsequently amended by two Implementation Agreements. The DDA provided for the development of the Omni Hotel on the south side of L Street between Sixth and Seventh avenues and the purchase by the Omni Hotel Developer of parking and retail easements in the public parking garage constructed by the Agency on the Parkade Site. The Omni Hotel Developer advanced all of the garage programming, design, permitting and construction costs attributable to the basement level of parking and the retail shell space on K and L streets. The Omni Hotel Developer is responsible for all tenant improvements within the retail shell space. Under the terms of the REA, the Agency has the right to buy-out the Omni Hotel Developer's parking and retail easements at the time the Agency desires to redevelop the Parkade Site. The buy-out of the parking easement requires the temporary relocation of the valet spaces in the basement of the Parkade for a period not to exceed two years (to a location within 600 feet of the Hotel) and the permanent replacement of the parking back onto the former Parkade Site. Additionally, the buy-out of the retail easements requires the Agency to pay compensation to the Omni Hotel Developer equal to the fair market value of the then-existing retail uses on the K and L street frontages. Current retail uses on the K Street frontage include a sandwich shop, an ice cream shop and a postal annex.

DEVELOPMENT TEAM

ROLE/FIRM	CONTACT	OWNED BY
Developer - San Diego Ballpark Hotel Company, LLC	Greg Clay	Omni Hotels Management Corporation and JMIR Investments LLC (JMI Holdings LLC: John Jay Moores and Rebecca Ann Moores Family Trust, and TLC Partnership (Mary Cruse, Beth Toner and Luann Lubojasky), and Bryant Burke; John Kratzer, Greg Clay, Tom Sullivan, Mark McGammon, Al DeBerardinis and Jim Chatfield) (Privately owned)
Construction Manager - JMI Realty, Inc.	Jim Chatfield	JMI Services, Inc. (John Jay Moores and Rebecca Ann Moores Family Trust) (Privately Owned)
Architect - Roberts and Bennett Commercial Interior Design	Tina Bennett	Tina Bennett Jennifer Roberts (Privately Owned)

DISCUSSION

The Omni Hotel Developer has requested that the requirements for the retail easement on the L Street frontage of the Parkade Site be changed to allow a portion of the space to be used as conference space for the hotel. The square footage of the L Street Easement Area is approximately 8,600 SF. Implementation of this request would require amendments to the REA and design review and approval of the Tenant Improvement Permit.

DRAWINGS AND CONDITIONS OF APPROVAL OF THE TENANT IMPROVEMENT PERMIT

The rationale for the Omni Hotel Developer to own retail easements on K and L streets was the belief that the Developer could better finance, market and manage retail space in the Parkade than the Agency. Retail activity was deemed highly important on both the K Street (major entrance to the Ballpark) and L Street (across from the hotel) frontages. The Developer has requested that the Agency amend the REA to permit the L Street frontage retail easement to be converted to hotel conference space. CCDC insisted that its support of this requested change was dependent on the L Street frontage providing an active and pedestrian-friendly retail experience even if the vast majority of the square footage was devoted to hotel meeting space.

The drawings included with this report illustrate the proposed lay-out of the L Street

Easement Area and the initial tenancy of an art gallery in the "Independent Retail Operation Area" required by the proposed amendments to the REA and the Tenant Improvement Permit. The Independent Retail Operation Area would function primarily as a "working" art gallery and also serve as the pre-function area for the meeting rooms. The space is a minimum depth of 12' clear and a minimum length of 105' of the 200' L Street frontage. A change-out of this space from art gallery to another retail use would require CCDC approval of a new Tenant Improvement Permit consistent with the terms of the REA and the requirements of the Municipal Code. The exterior of the L Street Easement Area remains as constructed and illustrated as Exhibit A.

AMENDMENTS TO THE REA

Because hotel conference space would not provide an active and pedestrian-friendly experience on L Street, the conditions of approval of the Tenant Improvement Permit and the amendments to the REA have been negotiated in detail with respect to the design and function of the L Street Easement Area. Also, the use of a large portion of the L Street Easement Area as a non-retail activity requires an amendment to the REA with respect to the compensation to be paid by the Agency to the Developer for any buy-out of the L Street Easement Area to redevelop the Parkade Site. Amendments to the REA can be summarized as follows:

- The Omni Hotel Developer's obligation to complete and maintain the build-out of the K Street and L Street Easement Areas is not waived and performance thereof is not excused by the issuance of a Release of Construction Covenants for the Omni Hotel Site.
- The portion of the L Street frontage illustrated on the drawings as "Independent Retail Operation Area" shall be a minimum of 1,478 SF in size. The "Independent Retail Operation" is defined as a retail business that is open to the public for at least 8 hours per day and at least 6 days per week and which offers goods and services for sale; examples include an art gallery, a café, a florist, a coffee shop, and a dry goods retailer.
- The Independent Retail Operation shall commence prior to or concurrently with the occupancy of any meeting rooms within the L Street Easement Area.
- The Independent Retail Operation Area may be used as a pre-function space for the meeting rooms but the space shall be operated primarily as an Independent Retail Operation. The space shall be finished in high quality materials comparable to the interior finishes of the Omni Hotel. The space shall be visually interesting, active and pedestrian-friendly.
- In the event the Independent Retail Operation undergoes a Permanent Closure, no portion of the L Street Easement Area shall be used for hotel

meeting purposes, and the entire L Street Easement Area shall be used solely for retail purposes. A Permanent Closure is defined as the 91st day following 90 consecutive days when the business of the Independent Retail Operation has ceased and/or the criteria for operation of the Independent Retail Operation has remained unsatisfied (with the exception of a temporary suspension solely and expressly for reconstruction of the space due to damage or for remodeling of the space for continued use as an Independent Retail Operation, such temporary suspension not to exceed 180 days inclusive of the aforementioned 90-day period).

- A "Shared Use Area" would provide tenant service, storage and restrooms for the uses permitted in the L Street Easement Area.
- Compensation to be paid by the Agency to the Developer for the Agency's buy-out and termination of the L Street Easement Area is a fixed payment of \$1 million regardless of the date of the buy-out or the uses within the L Street Easement Area at the time of the buy-out.
- The terms for the election by the Agency to redevelop the Parkade Site are further amended to provide that the Agency may temporarily relocate the Developer's parking from the Site for a period not to exceed 30 months (rather than the maximum two-year period provided in the existing REA).

Environmental Impact -There is no environmental review required for the proposed Tenant Improvement Permit or amendments to the REA.

SUMMARY/CONCLUSION

It is recommended that the Redevelopment Agency approve the proposed conditions to the Tenant Improvement Permit and the Amendment to the REA to provide for the addition of hotel meeting space within the L Street Easement Area, and to modify the terms for relocating the Basement Level Parking Easement, within the Sixth and K Parkade public garage.

Respectfully submitted,

Pamela M. Hamilton
Senior Vice President

Approved: Peter J. Hall
President

Attachments: Exhibit A - Photograph of L Street Frontage of Sixth and K Parkade
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